# S. 692

To prohibit Internet gambling, and for other purposes.

### IN THE SENATE OF THE UNITED STATES

March 23, 1999

Mr. Kyl (for himself and Mr. Bryan) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

# A BILL

To prohibit Internet gambling, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "Internet Gambling
- 5 Prohibition Act of 1999".
- 6 SEC. 2. PROHIBITION ON INTERNET GAMBLING.
- 7 (a) In General.—Chapter 50 of title 18, United
- 8 States Code, is amended by adding at the end the fol-
- 9 lowing:
- 10 "§ 1085. Internet gambling
- 11 "(a) Definitions.—In this section:

1	"(1) Bets or wagers.—The term 'bets or
2	wagers'—
3	"(A) means the staking or risking by any
4	person of something of value upon the outcome
5	of a contest of others, a sporting event, or a
6	game of chance, upon an agreement or under-
7	standing that the person or another person will
8	receive something of value based on that out-
9	come;
10	"(B) includes the purchase of a chance or
11	opportunity to win a lottery or other prize
12	(which opportunity to win is predominantly sub-
13	ject to chance);
14	"(C) includes any scheme of a type de-
15	scribed in section 3702 of title 28, United
16	States Code; and
17	"(D) does not include—
18	"(i) a bona fide business transaction
19	governed by the securities laws (as that
20	term is defined in section 3(a)(47) of the
21	Securities Exchange Act of 1934 (15
22	U.S.C. $78c(a)(47))$ for the purchase or
23	sale at a future date of securities (as that
24	term is defined in section 3(a)(10) of the

1	Securities Exchange Act of 1934 (15
2	U.S.C. $78e(a)(10));$
3	"(ii) a transaction on or subject to the
4	rules of a contract market designated pur-
5	suant to section 5 of the Commodity Ex-
6	change Act (7 U.S.C. 7);
7	"(iii) a contract of indemnity or guar-
8	antee; or
9	"(iv) a contract for life, health, or ac-
10	cident insurance.
11	"(2) Closed-loop subscriber-based serv-
12	ICE.—The term 'closed-loop subscriber-based service'
13	means any information service or system that uses—
14	"(A) a device or combination of devices—
15	"(i) expressly authorized and operated
16	in accordance with the laws of a State, ex-
17	clusively for placing, receiving, or otherwise
18	making a bet or wager described in sub-
19	section (d)(1)(B); and
20	"(ii) by which a person located within
21	any State must subscribe to be authorized
22	to place, receive, or otherwise make a bet
23	or wager, and must be physically located
24	within that State in order to be authorized
25	to do so;

1	"(B) an effective customer verification and
2	age verification system, expressly authorized
3	and operated in accordance with the laws of the
4	State in which it is located, to ensure that all
5	applicable Federal and State legal and regu-
6	latory requirements for lawful gambling are
7	met; and
8	"(C) appropriate data security standards
9	to prevent unauthorized access by any person
10	who has not subscribed or who is a minor.
11	"(3) Foreign jurisdiction.—The term 'for-
12	eign jurisdiction' means a jurisdiction of a foreign
13	country or political subdivision thereof.
14	"(4) Gambling business.—The term 'gam-
15	bling business' means a business that is conducted
16	at a gambling establishment, or that—
17	"(A) involves—
18	"(i) the placing, receiving, or other-
19	wise making of bets or wagers; or
20	"(ii) the offering to engage in the
21	placing, receiving, or otherwise making of
22	bets or wagers;
23	"(B) involves 1 or more persons who con-
24	duct, finance, manage, supervise, direct, or own
25	all or part of such business; and

1	"(C) has been or remains in substantially
2	continuous operation for a period in excess of
3	10 days or has a gross revenue of \$2,000 or
4	more from such business during any 24-hour
5	period.
6	"(5) Information assisting in the placing
7	OF A BET OR WAGER.—The term 'information as-
8	sisting in the placing of a bet or wager'—
9	"(A) means information that is intended
10	by the sender or recipient to be used by a per-
11	son engaged in the business of betting or wa-
12	gering to accept or place a bet or wager; and
13	"(B) does not include—
14	"(i) information concerning pari-
15	mutuel pools that is exchanged exclusively
16	between or among 1 or more racetracks or
17	other parimutuel wagering facilities li-
18	censed by the State or approved by the for-
19	eign jurisdiction in which the facility is lo-
20	cated, and 1 or more parimutuel wagering
21	facilities licensed by the State or approved
22	by the foreign jurisdiction in which the fa-
23	cility is located, if that information is used
24	only to conduct common pool parimutuel
25	pooling under applicable law;

1	"(ii) information exchanged exclu-
2	sively between or among 1 or more race-
3	tracks or other parimutuel wagering facili-
4	ties licensed by the State or approved by
5	the foreign jurisdiction in which the facility
6	is located, and a support service located in
7	another State or foreign jurisdiction, if the
8	information is used only for processing
9	bets or wagers made with that facility
10	under applicable law;
11	"(iii) information exchanged exclu-
12	sively between or among 1 or more wager-
13	ing facilities that are located within a sin-
14	gle State and are licensed and regulated by
15	that State, and any support service, wher-
16	ever located, if the information is used only
17	for the pooling or processing of bets or wa-
18	gers made by or with the facility or facili-
19	ties under applicable State law;
20	"(iv) any news reporting or analysis
21	of wagering activity, including odds, racing
22	or event results, race and event schedules,
23	or categories of wagering; or
24	"(v) any posting or reporting of any
25	educational information on how to make a

- bet or wager or the nature of betting orwagering.
  - "(6) Interactive computer service' means any information service, system, or access software provider that uses a public communication infrastructure or operates in interstate or foreign commerce to provide or enable computer access by multiple users to a computer server, including specifically a service or system that provides access to the Internet.
    - "(7) Internet.—The term 'Internet' means the international computer network of both Federal and non-Federal interoperable packet switched data networks.
    - "(8) Person.—The term 'person' means any individual, association, partnership, joint venture, corporation, State or political subdivision thereof, department, agency, or instrumentality of a State or political subdivision thereof, or any other government, organization, or entity (including any governmental entity (as defined in section 3701(2) of title 28, United States Code)).
    - "(9) Private Network.—The term 'private network' means a communications channel or chan-

1	nels, including voice or computer data transmission
2	facilities, that use either—
3	"(A) private dedicated lines; or
4	"(B) the public communications infrastruc-
5	ture, if the infrastructure is secured by means
6	of the appropriate private communications tech-
7	nology to prevent unauthorized access.
8	"(10) State.—The term 'State' means a State
9	of the United States, the District of Columbia, the
10	Commonwealth of Puerto Rico, or a commonwealth,
11	territory, or possession of the United States.
12	"(11) Subscriber.—The term 'subscriber'—
13	"(A) means any person with a business re-
14	lationship with the interactive computer service
15	provider through which such person receives ac-
16	cess to the system, service, or network of that
17	provider, even if no formal subscription agree-
18	ment exists; and
19	"(B) includes registrants, students who are
20	granted access to a university system or net-
21	work, and employees who are granted access to
22	the system or network of their employer.
23	"(b) Gambling Businesses.—
24	"(1) Prohibition.—Subject to subsection (d),
25	it shall be unlawful for a person engaged in a gam-

1	bling business to use the Internet or any other inter-
2	active computer service—
3	"(A) to place, receive, or otherwise make a
4	bet or wager; or
5	"(B) to send, receive, or invite information
6	assisting in the placing of a bet or wager.
7	"(2) Penalties.—A person engaged in a gam-
8	bling business who violates paragraph (1) shall be—
9	"(A) fined in an amount equal to not more
10	than the greater of—
11	"(i) the amount that such person re-
12	ceived in bets or wagers as a result of en-
13	gaging in that business in violation of this
14	subsection; or
15	"(ii) \$20,000;
16	"(B) imprisoned not more than 4 years; or
17	"(C) both.
18	"(c) Permanent Injunctions.—Upon conviction of
19	a person under this section, the court may, as an addi-
20	tional penalty, enter a permanent injunction enjoining the
21	transmission of bets or wagers or information assisting in
22	the placing of a bet or wager.
23	"(d) Applicability.—
24	"(1) In general.—Subject to paragraph (2),
25	the prohibition in this section does not apply to—

1	"(A) any otherwise lawful bet or wager
2	that is placed, received, or otherwise made
3	wholly intrastate for a State lottery, or for a
4	multi-State lottery operated jointly between 2
5	or more States in conjunction with State lot-
6	teries if—
7	"(i) each such lottery is expressly au-
8	thorized, and licensed or regulated, under
9	applicable State law;
10	"(ii) the bet or wager is placed on an
11	interactive computer service that uses a
12	private network;
13	"(iii) each person placing or otherwise
14	making that bet or wager is physically lo-
15	cated when such bet or wager is placed at
16	a facility that is open to the general public;
17	and
18	"(iv) each such lottery complies with
19	sections 1301 through 1304 of title 18,
20	United States Code, and other applicable
21	provisions of Federal law;
22	"(B) any otherwise lawful bet or wager
23	that is placed, received, or otherwise made on
24	an interstate or intrastate basis on a live horse
25	race, or the sending, receiving, or inviting of in-

1	formation assisting in the placing of such a bet
2	or wager, if such bet or wager, or the trans-
3	mission of such information, as applicable, is—
4	"(i) expressly authorized, and licensed
5	or regulated by the State in which such bet
6	or wager is received, under applicable Fed-
7	eral and such State's laws;
8	"(ii) placed on a closed-loop sub-
9	scriber-based service;
10	"(iii) initiated from a State in which
11	betting or wagering on that same type of
12	live horse racing is lawful and received in
13	a State in which such betting or wagering
14	is lawful;
15	"(iv) subject to the regulatory over-
16	sight of the State in which the bet or
17	wager is received and subject by such
18	State to minimum control standards for
19	the accounting, regulatory inspection, and
20	auditing of all such bets or wagers trans-
21	mitted from 1 State to another; and
22	"(v) made in accordance with the
23	Interstate Horse Racing Act of 1978 (15
24	U.S.C. 3001 et seq.); or

1	"(C) any otherwise lawful bet or wager
2	that is placed, received, or otherwise made for
3	a fantasy sports league game or contest.
4	"(2) Inapplicability to bets or wagers
5	MADE BY AGENTS OR PROXIES.—
6	"(A) In General.—Paragraph (1)(A)
7	does not apply in any case in which a bet or
8	wager is placed, received, or otherwise made by
9	the use of an agent or proxy using the Internet
10	or an interactive computer service.
11	"(B) Rule of Construction.—Nothing
12	in this paragraph may be construed to prohibit
13	the owner operator of a parimutuel wagering
14	facility that is licensed by a State from employ-
15	ing an agent in the operation of the account
16	wagering system owned or operated by the pari-
17	mutuel facility.".
18	(b) Technical Amendment.—The analysis for
19	chapter 50 of title 18, United States Code, is amended
20	by adding at the end the following:
	"1085. Internet gambling.".
21	SEC. 3. CIVIL REMEDIES.
22	(a) In General.—
23	(1) Jurisdiction.—The district courts of the
24	United States shall have original, exclusive, and con-
25	tinuing jurisdiction to prevent and restrain violations

1	of section 1085 of title 18, United States Code, as
2	added by section 2 of this Act, by issuing appro-
3	priate orders in accordance with this section, regard-
4	less of whether a prosecution has been initiated
5	under that section.
6	(2) Proceedings.—
7	(A) Institution by federal govern-
8	MENT.—
9	(i) In General.—The United States
10	may institute proceedings under this sub-
11	section to prevent or restrain a violation of
12	section 1085 of title 18, United States
13	Code.
14	(ii) Relief.—Upon application of the
15	United States under this subparagraph,
16	the district court may enter a temporary
17	restraining order or an injunction against
18	any person to prevent a violation of section
19	1085 of title 18, United States Code, if the
20	court determines, after notice and an op-
21	portunity for a hearing, that there is a
22	substantial probability that such violation
23	has occurred or will occur.
24	(B) Institution by state attorney
25	GENERAL —

- (i) IN GENERAL.—The attorney gen-eral of a State (or other appropriate State official) in which a violation of section 1085 of title 18, United States Code, is alleged to have occurred, or may occur, after providing written notice to the United States, may institute proceedings under this subsection to prevent or restrain the violation, unless the United States has ex-clusive jurisdiction over the violation under Federal law.
  - (ii) Relief.—Upon application of the attorney general (or other appropriate State official) of an affected State under this subparagraph, the district court may enter a temporary restraining order or an injunction against any person to prevent a violation of section 1085 of title 18, United States Code, if the court determines, after notice and an opportunity for a hearing, that there is a substantial probability that such violation has occurred or will occur.
  - (C) Expiration.—Any temporary restraining order or preliminary injunction entered pursuant to subparagraph (A) or (B)

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shall expire if, and as soon as, the United States, or the attorney general (or other appropriate State official) of the State, as applicable, notifies the court that issued the injunction that the United States or the State, as applicable, will not seek a permanent injunction.

#### (3) Expedited proceedings.—

(A) IN GENERAL.—In addition to any proceeding under paragraph (2), a district court may enter a temporary restraining order against a person alleged to be in violation of section 1085 of title 18, United States Code, upon application of the United States under paragraph (2)(A) of this subsection, or the attorney general (or other appropriate State official) of an affected State under paragraph (2)(B) of this subsection, without notice and the opportunity for a hearing, if the United States or the State, as applicable, demonstrates that there is probable cause to believe that the use of the Internet or other interactive computer service at issue violates section 1085 of title 18, United States Code.

1	(B) Expiration.—A temporary restrain-
2	ing order entered under this paragraph shall ex-
3	pire on the earlier of—
4	(i) the expiration of the 30-day period
5	beginning on the date on which the order
6	is entered; or
7	(ii) the date on which a preliminary
8	injunction is granted or denied.
9	(C) Hearings.—A hearing requested con-
10	cerning an order entered under this paragraph
11	shall be held at the earliest practicable time.
12	(b) Interactive Computer Service Pro-
13	VIDERS.—
14	(1) Eligibility.—For purposes of this sub-
15	section, an interactive computer service provider is
16	described in this paragraph only if the provider has
17	established and reasonably implements a policy that
18	provides for the termination of the account of a sub-
19	scriber of the service system or network of the pro-
20	vider upon the receipt by the provider of a notice de-
21	scribed in paragraph (4)(B).
22	(2) Use of facilities or services.—Nothing
23	in section 1085 of title 18, United States Code, may
24	be constructed to impose, or to provide any basis
25	for, liability against an interactive computer service

1	provider described in paragraph (1) whose facilities
2	or services are used by another person to engage in
3	an activity prohibited by that section—
4	(A) arising out of any transmitting, rout-
5	ing, or providing of connections for the material
6	or activity (including intermediate and tem-
7	porary storage in the course of such transmit-
8	ting, routing, or providing connections) by the
9	provider, if—
10	(i) the material or activity was initi-
11	ated by or at the direction of a person
12	other than the provider;
13	(ii) the transmitting, routing, or pro-
14	viding of connections is carried out
15	through an automatic process without se-
16	lection of the material or activity by the
17	provider;
18	(iii) the provider does not select the
19	recipients of the material or activity, ex-
20	cept as an automatic response to the re-
21	quest of another person; and
22	(iv) the material or activity is trans-
23	mitted through the system or network of
24	the provider without modification of its
25	content; or

1	(B) with respect to material or activity at
2	an online site residing on a computer server
3	owned, controlled, or operated by or for the pro-
4	vider, unless the provider fails to comply within
5	a reasonable time with a notification under
6	paragraph (4) with respect to the particular
7	material or activity at issue.
8	(3) Protection of Privacy.—Nothing in this
9	section or in section 1085 of title 18, United States
10	Code, may be construed to impose or authorize an
11	obligation on an interactive computer service de-
12	scribed in paragraph (1) to—
13	(A) monitor material or use of its service;
14	or
15	(B) except as required by an order of a
16	court, to gain access to, to remove, or to disable
17	access to material in any case in which such
18	conduct is prohibited by law.
19	(4) Notice to interactive computer serv-
20	ICE PROVIDERS.—
21	(A) In general.—If an interactive com-
22	puter service provider receives from a Federal
23	or State law enforcement agency, acting within
24	its jurisdiction, a written or electronic notice
25	described in subparagraph (B), that a par-

1	ticular online site residing on a computer server
2	owned, controlled, or operated by or for the pro-
3	vider is being used to violate section 1085 of
4	title 18, United States Code, the provider shall
5	not be liable under any Federal or State law if,
6	in a reasonably expeditious manner—
7	(i) the provider removes or disables
8	access to the material or activity residing
9	at that online site that allegedly violates
10	that section; or
11	(ii) if the provider does not own, oper-
12	ate, or control the site at which the subject
13	material or activity resides, the provider
14	notifies the Federal or State law enforce-
15	ment agency that—
16	(I) the provider is not the proper
17	recipient of such notice; and
18	(II) upon receipt of a subpoena,
19	the provider will cooperate with the
20	Federal or State law enforcement
21	agency in identifying the person or
22	persons who control the site.
23	(B) Notice.—A notice is described in this
24	subparagraph if it—

1	(i) identifies the material or activity
2	that allegedly violates section 1085 of title
3	18, United States Code;
4	(ii) provides information reasonably
5	sufficient to permit the provider to locate
6	the material or activity;
7	(iii) is supplied to any agent of a pro-
8	vider designated under section 512 of title
9	17, United States Code, if information re-
10	garding such designation is readily avail-
11	able to the public; and
12	(iv) provides information that is rea-
13	sonably sufficient to permit the provider to
14	contact the law enforcement agency that
15	issued the notice, including—
16	(I) the name of the law enforce-
17	ment agency; and
18	(II) the name and telephone
19	number of an individual to contact at
20	the law enforcement agency, and, if
21	available, the electronic mail address
22	of that individual.
23	(5) Injunctive relief.—
24	(A) In general.—Except as provided in
25	subparagraph (B), a Federal or State law en-

forcement agency acting within its jurisdiction, may, following the issuance of a notice to an interactive computer service provider under paragraph (4), in a civil action, obtain an injunction or other appropriate relief to prevent the use of the interactive computer service in violation of Federal or State law.

- (B) OTHER LIMITATIONS.—In the case of any application for an injunction against an interactive computer service provider to prevent a violation of section 1085 of title 18, United States Code—
  - (i) arising out of the transmitting, routing, or providing of connections by the provider for material or activity that is prohibited by section 1085 of title 18, United States Code, or performing the intermediate and temporary storage of such material or activity in the course of such transmitting, routing, or providing of connections, the injunctive relief is limited to—

(I) an order restraining the provider from providing access to an identified subscriber of the system or

1	network of the interactive computer
2	service provider, who is using that ac-
3	cess to violate section 1085 of title 18,
4	United States Code (or whose use of
5	that access involves a violation of sec-
6	tion 1085 of title 18, United States
7	Code, by another person), by termi-
8	nating the specified account of that
9	subscriber; and
10	(II) an order restraining the pro-
11	vider from providing access, by taking
12	reasonable steps specified in the order
13	to block access, to a specific, identi-
14	fied, foreign online location;
15	(ii) with respect to conduct other than
16	that which qualifies for the limitation on
17	remedies set forth in clause (i), the injunc-
18	tive relief is limited to—
19	(I) an order restraining the pro-
20	vider from providing access to a mate-
21	rial or activity that violates section
22	1085 of title 18, United States Code,
23	at a particular online site residing on
24	a computer server, owned, operated,
25	or controlled by the provider;

1	(II) an order restraining the pro-
2	vider from providing access to a sub-
3	scriber of the system or network of
4	the interactive computer service, who
5	is identified in the order and who is
6	using such service in violation of sec-
7	tion 1085 of title 18, United States
8	Code, by terminating the specified ac-
9	count of that subscriber; or
10	(III) such other injunctive rem-
11	edies as the court considers necessary
12	to prevent or restrain access to speci-
13	fied material or activity that is pro-
14	hibited by section 1085 of title 18
15	United States Code, at a particular
16	online location residing on a computer
17	server owned, operated, or controlled
18	by the provider, that are the least
19	burdensome to the provider among the
20	forms of relief that are comparably ef-
21	fective for that purpose.
22	(C) Considerations.—The court, in de-
23	termining appropriate injunctive relief under
24	this paragraph, shall consider—

1	(i) whether such an injunction, either
2	alone or in combination with other such in-
3	junctions issued against the same provider
4	(under section 1085 of title 18, United
5	States Code, or under this section) would
6	significantly burden either the provider or
7	the operation of the system or network of
8	the provider;
9	(ii) whether implementation of such
10	an injunction would be technically feasible
11	and effective, and would not unreasonably
12	interfere with access to lawful material at
13	other online locations;
14	(iii) whether other less burdensome
15	and comparably effective means of pre-
16	venting or restraining access to the illegal
17	material or activity are available; and
18	(iv) the magnitude of the harm likely
19	to be suffered by the community if the in-
20	junction is not granted.
21	(D) NOTICE AND EX PARTE ORDERS.—In-
22	junctive relief under this paragraph shall not be
23	available without notice to the service provider
24	and an opportunity for such provider to appear
25	before the court, except for orders ensuring the

1	preservation of evidence or other orders having
2	no material adverse effect on the operation of
3	the communications network of the service pro-
4	vider.
5	(6) Effect on other law.—
6	(A) Preemption of state law.—An
7	interactive computer service provider described
8	in paragraph (1) shall not be liable under any
9	State law prohibiting or regulating gambling, or
10	subject to any injunctive relief under any such
11	State law, in connection with the use of the
12	interactive computer service of that provider by
13	any person in interstate or affecting commerce.
14	(B) IMMUNITY FROM LIABILITY.—In the
15	absence of fraud or bad faith, an interactive
16	computer service provider described in para-
17	graph (1) shall not be liable for any damages,
18	penalty, or forfeiture, civil or criminal, under
19	Federal or State law for—
20	(i) taking any action described in
21	paragraph (1) or paragraph 4(A) to com-
22	ply with a notice described in paragraph
23	(4)(B); or
24	(ii) complying with any court order

issued under paragraph (5).

- 1 (c) Relationship to Other Remedies.—
- 2 (1) In general.—Except as provided in sub-
- 3 section (b)(6), nothing in this section may be con-
- 4 strued to affect any remedy under section 1085 of
- 5 title 18, United States Code, or under any other
- 6 provision of Federal or State law.
- 7 (2) AVAILABILITY OF RELIEF.—The availability
- 8 of relief under this section shall not depend on, or
- 9 be affected by, the initiation or resolution of any ac-
- tion under section 1085 of title 18, United States
- 11 Code, or under any other provision of Federal or
- 12 State law.

#### 13 SEC. 4. RULE OF CONSTRUCTION.

- Except as provided in section 3(b)(6) of this Act,
- 15 nothing in this Act or in section 1085 of title 18, United
- 16 States Code, as added by section 2 of this Act, may be
- 17 construed otherwise to affect any prohibition or remedy
- 18 relating to gambling that is imposed under any other pro-
- 19 vision of Federal or State law.

#### 20 SEC. 5. REPORT ON ENFORCEMENT.

- Not later than 3 years after the date of enactment
- 22 of this Act, the Attorney General shall submit to Congress
- 23 a report, which shall include—

1	(1) an analysis of the problems, if any, associ-
2	ated with enforcing section 1085 of title 18, United
3	States Code, as added by section 2 of this Act;
4	

- 4 (2) recommendations for the best use of the re-5 sources of the Department of Justice to enforce that 6 section; and
- 7 (3) an estimate of the amount of activity and 8 money being used to gamble on the Internet.

## 9 SEC. 6. SEVERABILITY.

If any provision of this Act, an amendment made by this Act, or the application of such provision or amendment to any person or circumstance is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of the provisions of such to any person or circumstance shall not be affected thereby.

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